

and Bank B similarly possesses cheques for £3,000, drawn upon A, B owes A £2,000, and closes the account by handing A a cheque for that amount, drawn upon the Bank of England, where every member of the Clearing House maintains an account for this express purpose.

During the year 1907 the cheques and bills cleared in the London Banking Clearing House amounted to upwards of £12,730,000,000. In other words, this enormous sum expressed the total of the payments made- and received during that year by means of bills and cheques. As our internal transactions in trade are completed by means of these paper documents (resting upon gold), the range of the clearing, as it is termed, furnishes a direct indication of the volume of those transactions—in other words, of the activity or depression of trade. (*See Note D, p. 183.*)

The railway traffic returns are very serviceable in discovering the extent of the country's trade. An increased amount of receipts in the heavy or goods lines shows an enlarged conveyance of coal, iron, cotton, and so on, and indicates, therefore, a revived condition of those industries ; while diminished receipts upon the southern, or passenger, lines imply a reduction in the extent of the Continental and holiday-making traffic.

Another indicative feature is presented in the amount of the "other deposits" with the Bank of England, and the "official minimum" rate of interest which the Bank charges for making advances, and discounting its Customers' bills. If the deposits be enlarged the rate of interest is low, and the sign furnished is that the elasticity and energy of trade are diminished so that less capital is required to be borrowed for its conduct, and the competition for that capital being reduced, the terms charged for its use are small.

But a sound condition of trade—a condition, that is to say, which is genuine and embodies the exchanges of goods which are*really needed, and within the means of those who buy— passes by

graduated stages, and with inevitableness, into one which is termed a feverish or unhealthy state. And a brief summary of a recurrent cycle (a revolving round) of industry is not less interesting than fruitful of teachings to investors.

N